

Message Text

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13-12

ACTION EUR-12

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FM AMEMBASSY BUCHAREST

TO USIA WASHDC

INFO SECSTATE WASHDC 6173

LIMITED OFFICIAL USE BUCHAREST 0176

E.O. 11652: N/A

TAGS: SCUL RO

SUBJECT: LIBRARY RENT

1. ADMIN OFFICER MET WITH DIRECTOR ODCD COSTESCU JANUARY 9 TO DISCUSS RUMORED THREAT THAT GOR PLANNED TO CANCEL LIBRARY PHASE BECAUSE OF CONTROVERSIAL CHARGES OF \$11,902.78 WHICH EMBASSY ALLEGEDLY OWES FROM JANUARY 1 1973 TO DECEMBER 31, 1975 DUE TO TAX INCREASES LEVIED ON GOR LIBRARY IN NEW YORK.

2. DIRECTOR EXPLAINED THAT ODCD AND MFA WERE SHOCKED THAT AMERICANS WERE NOT HONORING THE CONTRACT WHICH HAD BEEN LARGELY THEIR CREATION, ESPECIALLY ARTICLE 13, PARAGRAPH 2. HE SHOWED COPY OF EMBASSY LETTER DATED MARCH 26, 1971, SIGNED BY LUCIUS A. JACKSON WHICH STATES "...THE ODCD INTENDS TO RAISE THE QUESTION OF A CHANGE IN THE RENT FOR THE BUCHAREST PREMISES ONLY IN THE EVENT OF A CHANGE IN THE RENT FOR THE PREMISES OCCUPIED BY THE ROMANIAN LIBRARY IN NEW YORK. FOR ITS PART THE EMBASSY STATES THAT IT WILL STAND READY TO GIVE EFFECT FULLY AND FAITHFULLY TO THE PROVISIONS OF ARTICLE 13, PARAGRAPH 2 OF THE CONTRACT OF LEASE IN THE EVENT THAT THE CIRCUMSTANCES REFERRED TO THERE SHOULD IN FACT ARISE."

3. COSTESCU STRESSED THAT ONLY REASON RENT WAS CALCULATED AT SAME RATE AS NEW YORK RENT DESPITE FACT THAT FLOOR SPACE IN BUCHAREST IS FOUR TIMES THAT OF NEW YORK AND THAT RATES IN ROMANIA ARE ALWAYS BASED ON COST PER SQUARE METER, WAS COMPLETE AGREEMENT BETWEEN AMERICANS AND ROMANIANS AT TIME THAT
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COSTS WOULD BE RECIPROCAL. IF NEW YORK RENT HAD BEEN CALCULATED

AT LOWER RATE, BUCHAREST RENT WOULD HAVE BEEN CALCULATED AT LOWER RATE,

4. WHEN ADMIN OFFICER EXPLAINED AGAIN THAT TAXES HAD INCREASED, NOT RENT, COSTESCU RESPONDED THAT NEW YORK CONTRACT STATES RENT TO BE PAID IS ALL INCLUSIVE, THAT OWNER OF PROPERTY IS LIABLE FOR TAXES, NOT TENANT, AND IF COSTS ARE INCREASED, WHETHER CALLED TAXES OR RENT, ROMANIANS ARE IN FACT HAVING TO SUBSIDIZE OWNER'S RESPONSIBILITIES. HE SAID HE UNDERSTOOD THAT ROMANIAN LIBRARY DID NOT HAVE DIPLOMATIC IMMUNITY FROM TAXES. COSTESCU RECALLED THAT IN EFFORT TO BE FAIR SINCE NEW YORK LEASE INCLUDED ALL EXPENSES GOR HAD AGREED TO PAY 25 PERCENT OF ALL BUCHAREST EXPENSES BASED ON FACT THAT P&C TOOK SPACE IN PREMISES HERE FOUR TIMES AS LARGE AS NEW YORK PREMISES.

5. REQUEST CONFIRMATION THAT ALL CHARGES ARE INCLUDED IN NEW YORK CONTRACT STIPULATING RENTAL COSTS AND THAT TAXES ARE INCLUDED AS PART OF THESE COSTS. CAN YOU ALSO DETERMINE THAT ROMANIAN LIBRARY LEASE HAS PROVISION TO PASS ON TAX INCREASES TO THE TENANT AS INCREASED RENT? NEITHER EMBASSY NOR ODCD HAS COPY OF NEW YORK LEASE. REQUEST COPY BE POUCHED.

6. ADMIN OFFICER ASKED HOW COULD RENTS BE EQUATED WHEN ROMANIANS PURCHASED BUILDING IN NEW YORK. COSTESCU REPLIED THAT THIS PROBABLY WOULD NOT TAKE PLACE FOR ABOUT A YEAR, BUT AT THAT TIME, HE FELT SURE THAT AMERICAN LIBRARY RENT WOULD BE CALCULATED ON COST PER SQUARE METER WHICH WOULD IN FACT BE LOWER COST THAN PRESENT RENT. AN EFFORT WAS MADE TO TRY TO PIN HIM DOWN AS TO HOW COSTS WOULD BE DETERMINED FOR PROPOSED CONVERTED ATTIC SPACE WHICH COULD ADD CONSIDERABLY TO RENT. HE SAID THAT IF SPACE CONVERTED RATE WOULD HAVE TO BE CALCULATED AS OFFICE SPACE.
BARNES

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